

Decision 01-10-014 October 10, 2001

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the California-American Water Company (U210W) for an Order Authorizing it to Increase its Rates for Water Service in its Monterey Division.

Application 99-04-003
(Filed April 1, 1999;
amended petition to modify
February 1, 2001)

ORDER MODIFYING DECISION 00-03-053

Summary

California-American Water Company's (Cal-Am) amended petition for modification of Decision (D.) 00-03-053 is granted. If in the future the water conservation per capita rate design for CalAm's Monterey Division is implemented under the triggering provisions earlier established by D.00-03-053, that rate design shall remain in effect thereafter. D.00-03-053 is modified accordingly.

Discussion

D.00-03-053 is the most recent general rate case decision for CalAm's Monterey Division. Because of Monterey Peninsula's critical water conservation needs, rate design was an important topic in that proceeding and the only issue not decided on the basis of an uncontested settlement among the active parties. In D.00-03-053, the Commission ordered the use of two rate designs. One was an

increasing block design¹ for use in normal times; the second was a new, per capita rate structure for use during future periods during which CalAm is at imminent risk of violating State Water Resources Control Board (SWRCB) water production limitations.

The settlement included specific criteria defining when the per capita rate design would be triggered, and when Monterey Division would return to the normal rate design. The order adopted those criteria.

The per capita rate design is triggered by CalAm's notification to the Commission that CalAm has exceeded its SWRCB-permitted draw from the Carmel River system for the water year to date.² Once implemented, the per capita rate design remains in place for the remainder of that water year and then reverts to the normal rate design if production from the Carmel River system is below the goal for each of the first two months of the succeeding water year. In that case, each bill issued on or after December 1 of the succeeding water year would reflect the normal rate design.

CalAm was already exceeding its permitted Carmel River system draws when D.00-03-053 was issued, and the per capita rate design went into effect for the first time on May 15, 2000.

As anticipated in the decision, CalAm spent nearly \$140,000 on print, radio and television advertising to inform and educate customers in the weeks before the new, per capita rate design went into effect.

¹ The structure of this increasing block rate design was the only general rate case issue the parties did not settle.

² Water years run from October 1 through September 30.

CalAm reports that the per capita rate design has now been shown to be an effective method for reducing water usage to and below its conservation targets. Carmel River system water production in October and November 2000, the first two months of the new water year, was 16% under the SWRCB-mandated level, thus obligating CalAm to revert to the normal rate design for bills issued beginning December 1, 2000. CalAm fears that with return to the normal rate design, Monterey Division customers will revert to their old consumption patterns and once again drive Carmel River system production above SWRCB-mandated levels.

Moving back and forth annually between the normal and per capita rate designs generates high administrative and customer education expense, causes customer confusion, and works to inhibit customers from adopting water conserving habits over the long term. CalAm's amended petition for modification asks the Commission to modify D.00-03-053 to allow it to remain on the per capita rate design the next time it is triggered.³

CalAm's amended petition was filed and served on the parties in this proceeding. The Commission received no protests from the parties. Monterey Peninsula Water Management District, a party in this proceeding and the agency created by the Legislature to be primarily concerned with resolution of the long-term water shortage problems on the Monterey Peninsula, filed a response in complete support of CalAm's amended petition. CalAm provided newspaper

³ CalAm filed its initial Petition for Modification on November 3, 2000. That left insufficient time for parties and customers to be notified and the Commission to act before automatic reversion to the normal rate design on December 1, 2000. We deal here with CalAm's forward-looking Amended Petition for Modification.

notice to customers, inviting them to write to the Commission with their concerns. No customer did so. We are not aware of any opposition to granting CalAm's request.

We will grant CalAm's request for the reasons it cites.

If the Commission grants the amended petition, CalAm suggests that suspension of the normal rate design could continue until either implementation of the Commission's decision in A.97-03-052 (addressing CalAm's future Monterey Peninsula water supplies), or its decision in CalAm's next Monterey Division general rate case. CalAm's rate design is not an issue in A.97-03-052, and the parties in CalAm's next Monterey Division general rate case will be free to raise rate design as an issue when an application has been filed. The justifications CalAm cites will not lapse with time. We see no need to limit this order as CalAm suggests.

Findings of Fact

1. Remaining on the per capita rate design after a water shortage would be less confusing to customers, promote better water conservation habits, and generate fewer expenses compared with the current Commission-ordered practice of reverting to the normal rate design.

2. There have been no protests to CalAm's amended petition for modification, and there is no known opposition to granting CalAm's request.

Conclusions of Law

1. CalAm's amended petition for modification should be granted.
2. For administrative efficiency, this order should be effective immediately.

IT IS ORDERED that:

1. Ordering Paragraph 5 of Decision 00-03-053 is amended to read:

The Commission adopts the per capita rate design structure addressed in Settlement Section 11.02, as summarized in Appendix A-2 to this order, and the associated implementation conditions for use during times when CalAm is at risk of exceeding its State Water Resources Control Board-mandated Carmel River production limits; provided, however, that once placed into effect for any period during or after September 2001, the per capita rate design shall thereafter remain in effect unless and until ordered otherwise by the Commission.

2. Application 99-04-003 is closed.

This order is effective today.

Dated October 10, 2001, at San Francisco, California.

LORETTA M. LYNCH

President

HENRY M. DUQUE

RICHARD A. BILAS

CARL W. WOOD

GEOFFREY F. BROWN

Commissioners